

AR44

at
Co Corp

54

DYNASTY EXPLORATIONS LIMITED/EIGHTH ANNUAL REPORT/1972

DIRECTORS

Dr. Aaro E. Aho, Vancouver, B.C.
 R. E. Gordon Davis, Vancouver, B.C.
 John Bruk, West Vancouver, B.C.
 H. R. Whittall, Vancouver, B.C.

OFFICERS

John Bruk, Chairman of the Board
 R. E. Gordon Davis, President & Chief Executive Officer
 Selwyn B. Jones, Secretary-Treasurer

HEAD OFFICE

330 - 355 Burrard Street,
 Vancouver 1, B.C.

CONSULTANT

Dr. A. E. Aho

SOLICITORS

Lawrence & Shaw, Vancouver, B.C.

AUDITORS

McDonald, Currie & Co., Vancouver, B.C.

TRANSFER AGENT

The Guaranty Trust Company of Canada
 Vancouver, Calgary, Winnipeg, Toronto, Montreal

ANNUAL MEETING

Friday, May 4th, 1973 at 10:00 a.m.
 The Alouette Room, Hotel Vancouver,
 Vancouver 1, B.C.

DIRECTORS' REPORT TO THE SHAREHOLDERS

It is with considerable pleasure that we report a further substantial increase in the annual earnings of your Company. Earnings of \$4,407,887 in 1972, equal to \$1.47 per share, were more than double the \$1,776,281 or 59¢ per share recorded in 1971.

The 40% interest which your Company owns in Anvil Mining Corporation earned \$4,816,000 in 1972 equal to \$1.61 per share. Net operational costs of the Company absorbed 14¢ per share of which 6¢ was related to accrued interest and 4¢ to non-cash write-offs. The small loss related to the investment in Atlas Explorations Limited and which resulted from a major non-cash write-off had a minimal effect upon the total earnings of your Company.

Anvil Mining Corporation, though in a favourable earnings position, yet faces several years of capital debt repayment before being able to commence payment of dividends to its shareholders, Cyprus Mines Corporation and your Company. It is necessary therefore to continue to seek funds from other sources to maintain aggressive exploration programs. To this end, 50,000 treasury shares were sold during the year and, to conserve available funds, joint venture agreements were negotiated with strong corporate co-venturers.

ANVIL MINING CORPORATION LIMITED

Anvil Mining Corporation showed consistent improvement in its operational and financial results in 1972. A total of 2,906,000 tons of ore were milled during the year, an average of 7,940 tons per day, with an average grade of 4.6 percent lead and 6.2 percent zinc. Both metal recoveries and concentrate grades improved over 1971 levels and total concentrate output increased to 443,000 tons from 429,000 tons. In addition to deliveries under sales contracts with Japanese smelters, Anvil sold 15,000 tons of lead concentrate in other markets. Production of bulk lead-zinc concentrate attained the full contract amount of 88,000 tons.

Despite higher smelting charges, improved operations and higher metal prices resulted in a 29% increase in the net value of production for the year to \$9,324,000. Based on sales of \$74,078,000 in 1972, net profit for the year increased 118% to \$11,625,000. Continued strong base metal and silver markets suggest a comparable or higher profitability for 1973.

Anvil reduced its bank loans by \$12,500,000 during the year leaving a balance of \$20,000,000 at year end. Shareholder loans and accrued interest amounted to \$34,500,000 and other indebtedness including accrued interest totalled \$9,700,000.

Late in 1972 Anvil reached agreement with the United Steelworkers of America, Local 1051, on a new three year labour contract which will remain in force until September 30th, 1975. The contract provides for a 25% increase in wages and fringe benefits over the three year period and is in line with recently concluded labour agreements in other Western Canada mining operations.

Early in 1973 the Board of Anvil approved a \$5,000,000 capital expenditure to increase mill capacity to 10,000 tons per day for the purpose of treating lower grade ore while maintaining current levels of metal concentrate output. The expanded facilities should be in operation in early 1974.

PRODUCTION STATISTICS

	1972	1971
Ore		
Tons Milled (D.S.T. 000s).....	2,906	2,673
% Lead	4.6	4.92
% Zinc	6.2	6.79
Concentrates Produced		
Lead Concentrate (D.S.T.).....	142,081	144,957
% Lead.....	68.46	67.11
Zinc Concentrate (D.S.T.).....	213,344	219,782
% Zinc.....	50.67	49.83
Bulk Concentrate (D.S.T.).....	88,007	64,457
% Combined lead/zinc	46.84	46.08

VALUE OF PRODUCTION

	1972	1971
Average Metal Price		
Lead — ¢ per pound.....	13.4	11.5
Zinc — ¢ per pound.....	17.5	16.3
	\$(000)	\$(000)
Net Market Value of Production	47,497	43,711
Production & Operating Cost..	29,392	27,023
Depreciation & Amortization..	4,292	4,001
Interest on external borrowings	2,877	3,666
Gain on foreign exchange.....	(1,179)	(602)
Yukon Mining Royalty.....	828	506
Loss on sale of fixed asset.....	—	9
	<u>36,210</u>	<u>34,603</u>
Value of Production before shareholder interest.....	11,287	9,108
Interest accrued on debt owed to shareholders.....	<u>1,963</u>	<u>1,862</u>
Net value of Production \$(000) ..	<u>9,324</u>	<u>7,246</u>

ANVIL MINING CORPORATION LIMITED

INCOME STATEMENT

	1972	1971
Average Metal Price		
Lead — ¢ per pound.....	14.1	11.5
Zinc — ¢ per pound.....	17.7	16.3
	\$(000)	\$(000)
Net Sales	50,094	39,772
Production & Operating Costs	29,656	25,312
Depreciation & Amortization..	4,335	3,694
Interest on external borrowings	2,880	3,666
Gain on foreign exchange.....	(1,193)	(602)
Yukon Mining Royalty.....	828	506
Loss on sale of fixed asset.....	—	9
	<u>36,506</u>	<u>32,585</u>
Operating Profit before shareholder interest.....	13,588	7,187
Interest accrued on debt owed to shareholders.....	<u>1,963</u>	<u>1,862</u>
Net Profit \$(000).....	<u>11,625</u>	<u>5,325</u>

ATLAS EXPLORATIONS LIMITED

The oil and gas operations of Atlas Explorations improved considerably during 1972. Net revenues increased to \$236,000 from \$149,200 in 1971 to record a profit of nearly \$100,000 before depreciation and amortization charges. The recent addition of compressor facilities with a corresponding 2¢ per Mcf increase in the sale price of its gas production will engender increased profitability in 1973.

Advantageous renegotiation of its bank debt at mid-year coupled with a \$100,000 underwriting at year end considerably relieved the pressure on Atlas cash resources which had developed in 1971 and early 1972.

Atlas owns varying interests in most of the exploration projects being undertaken by Dynasty and is actively seeking joint venture partners on other properties.

Subsequent to the year end, under an option agreement with Pemberton Securities, your Company sold 250,000 shares from its Atlas holdings, thereby reducing its interest in Atlas Explorations Limited from 23% to 18%.

MINERAL EXPLORATION

In 1972 exploration expenditures totalled \$465,500 of which \$162,000 was advanced by joint venture partners. Essentially all of these expenditures were on projects in Yukon Territory which were directed toward the discovery of large tonnage lead-zinc deposits, particularly in the Anvil District, and of high grade silver-lead deposits in the Hess Mountains. Your Company's interest in its various projects and properties is set out in the Schedule of Mineral Properties and Areas of Geological Interest which appears on page 9 of this report.

465,500
162,000
\$ 303,500

TINTINA-ANVIL PROJECT

In 1970 and 1971, in association with Atlas Explorations Limited, 512 claims were staked in the Swim Lakes and Lower Anvil Creek sections of the Anvil District to cover areas of metasedimentary rocks of the same type and stratigraphic position as those containing the Faro deposits of Anvil Mining Corporation and the Vangorda and Swim lead-zinc deposits controlled by Kerr Addison Mines Limited. Extensive preliminary survey work was carried out in 1971, and in early 1972 an additional 224 claims were staked on the same geological basis in the area north-east of Swim Lakes.

Foto

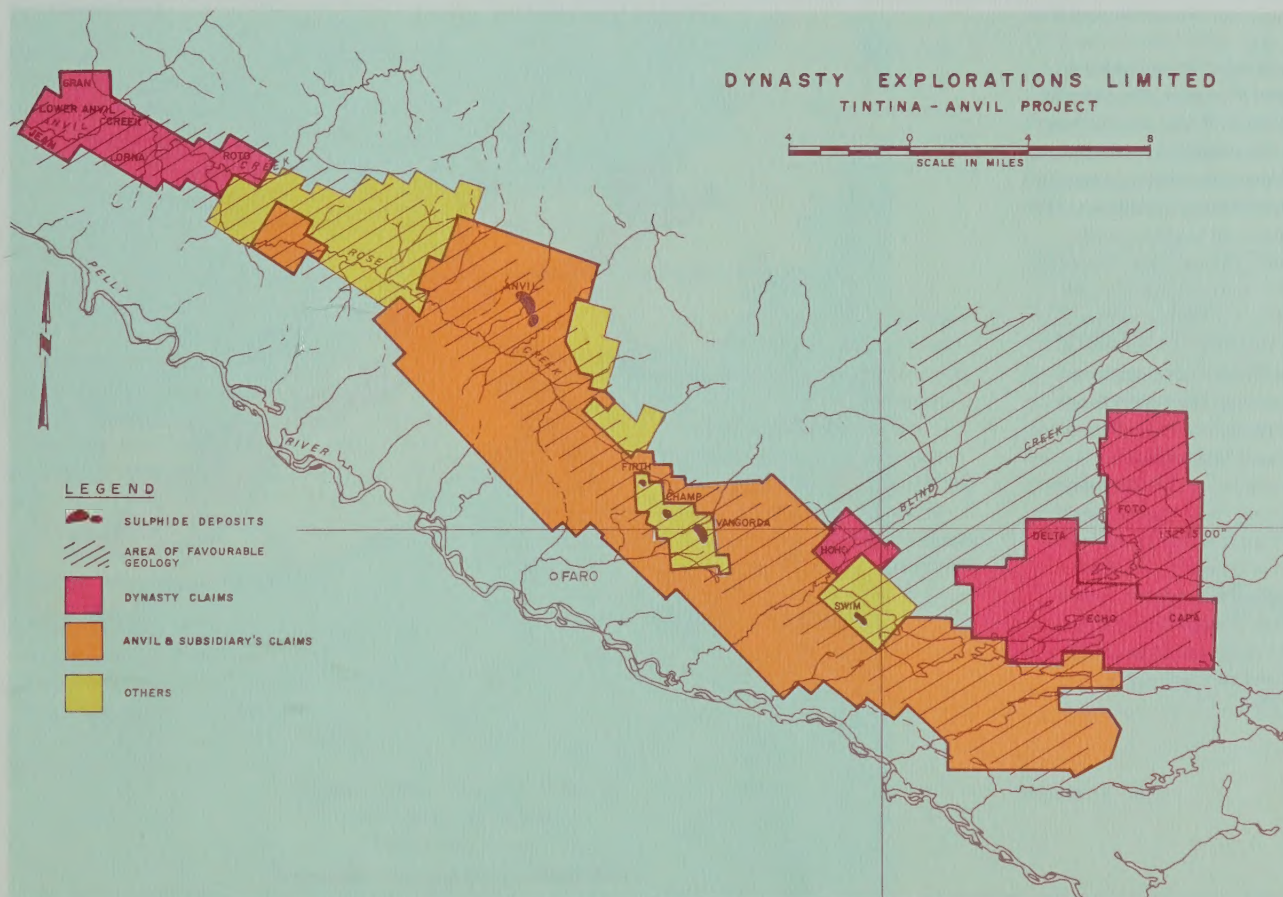
The Foto group, comprising 224 claims, was staked northeast of Swim Lake in early 1972 on the basis of regional geology. A thorough program of Turam and gravity surveys was carried out and several coincident anomalies were defined. A systematic diamond drill testing program is planned in 1973 providing a suitable joint venture exploration agreement can be negotiated.

CED-Hoho/Bram

Early in 1972 your Company entered into an exploration agreement with Midwest Oil Production Limited, General Crude Oil Company and Aquitaine Company of Canada Limited to further explore these claims in the Swim Lakes section of the Anvil District. Additional geophysical surveys were carried out and the results, together with previous survey data, were used to define drill targets. During the summer and fall of 1972, seven diamond drill holes totalling 3,596 feet were completed on these targets without encountering significant base metal sulphide mineralization. Plans for 1973 include further surveys and contingent drilling.

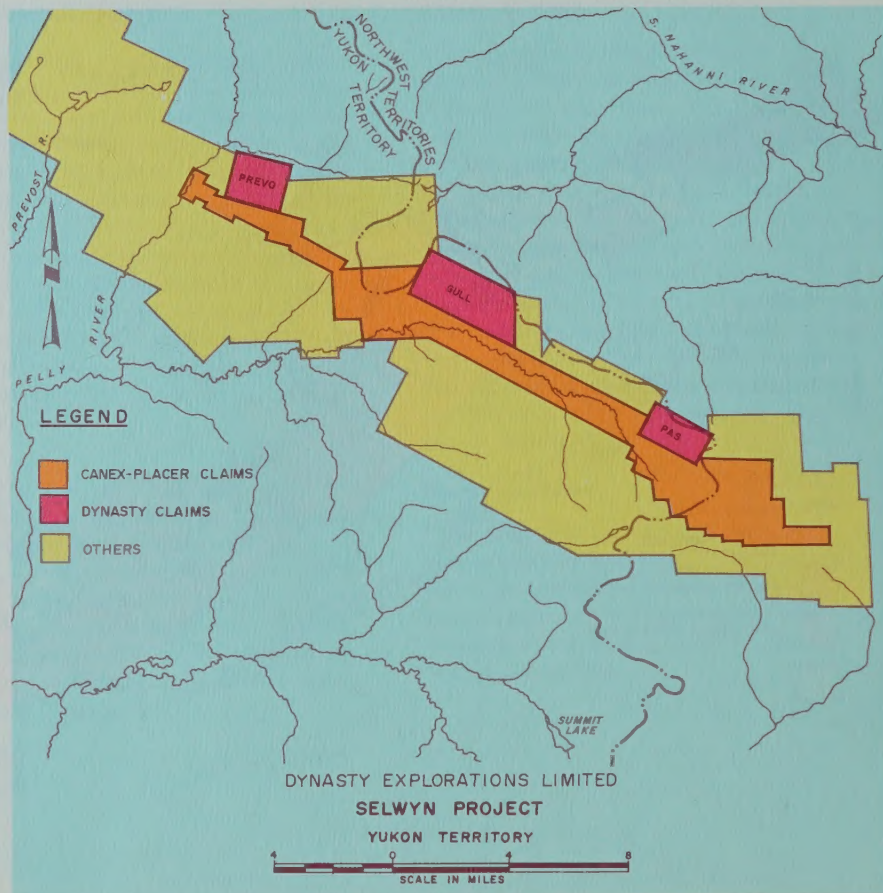
Lower Anvil Creek

These properties, consisting of 207 claims, were inactive in 1972. Plans for 1973 include a Turam survey over the most favourable geological section of the properties and contingent diamond drilling, subject to joint venture participation.



SELWYN PROJECT

The recent discovery of significant lead-zinc mineralization by Canex-Placer in the Summit Lake area northeast of Ross River, Yukon, has focused attention on the potential for large stratiform base metal deposits in east-central Yukon and adjacent North-West Territories. The Canex-Placer mineralization together with other evidence indicates that several thousand square miles within the Selwyn sedimentary basin may be favourable for the occurrence of important base metal deposits. In November 1972, in association with Atlas Explorations, three claim groups totalling 152 claims were staked directly adjacent to the Canex-Placer properties and plans have been made to thoroughly explore these properties and carry out a widespread regional prospecting program. Earlier work by Atlas Explorations in the north-west part of this basin will help to provide a basis for part of the regional program. An exploration agreement has recently been negotiated with Numac Oil and Gas Limited and Shield Resources Limited to carry out a \$200,000 program in 1973.



PLATA PROJECT

On the basis of data from past years work by Atlas Explorations and the prospecting efforts of your Company in 1972 several vein zones and occurrences of silver lead mineralization were discovered and staked in the Hess Mountains, 110 miles north of Ross River. Representative samples of one showing averaged 326 ounces per ton silver; however, high values are erratically distributed. The most accessible vein zone was tested late in the year by 6 drill holes totalling 1,315 feet and although assays were disappointing the vein structure showed excellent persistence on strike and down dip. The 1973 program will principally involve bulldozer trenching of vein zones, float occurrences and soil geochemical anomalies but will also include soil sampling and geological mapping over the 304-claim property.

NISLING AND MINTO PROJECTS

A limited follow-up program was carried out in two areas of porphyry copper potential in western Yukon in part based on data from previous years work in the Victor Project. No work is planned in 1973 in these areas, however further exploration will be done in 1974.

FYRE LAKE PROJECT

A regional project will be carried out in 1973 in the area southeast of Ross River based on geological and geochemical data from earlier projects. This area is geologically similar to the Anvil District and has considerable evidence of replacement type lead, zinc and copper mineralization.

BRITISH COLUMBIA PROJECTS

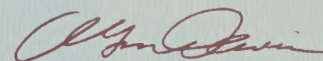
Several base metal properties were examined during 1972 in southern British Columbia and in the north central part of the Province. A detailed survey program was carried out on a porphyry copper prospect near Princeton under a joint venture agreement, however results were not sufficiently encouraging and the agreement was terminated. Under an agreement with Kaza Copper Limited, your Company will further explore a copper prospect north of Smithers and preliminary surveys will be carried out early in the summer of 1973.

Any assessment of your Company at the end of 1972, must reflect the aggressive and optimistic attitudes shared by the directors, officers and staff of the Company. The potential of the Plata, Selwyn and Tintina-Anvil Projects particularly has reaffirmed our conviction that the major portion of the mineral resources of Yukon remain as yet undiscovered.

Improved results from the Anvil Mine give us further confidence in the economic feasibility of the types of deposits toward which our exploration is strongly oriented.

To the many people who support us in this endeavour, the officers and staff of the Company, our joint venture partners and associates and you, the shareholders, we offer our sincere thanks.

On behalf of the Board of Directors



R. E. Gordon Davis,
President

March 28, 1973



SCHEDULE OF MINERAL PROPERTIES & AREAS OF GEOLOGICAL INTEREST AT DECEMBER 31st, 1972

Indicated Metals	Total Cost of Exploratory work performed in 1972 (Note a)	Interest held by Company at March 15, 1973	Exploration Expenditures incurred by Company in 1972	Cost of Projects abandoned in 1972 (Note 3 to Financial Statements)	NET INVESTMENT	
					1972	1971
MINERAL PROPERTIES (Note b)	\$	%	\$	\$	\$	\$
Lower Anvil.....Lead/Zinc	1,711	80	1,711	—	76,221	74,510
Foto.....Lead/Zinc	59,022	80	59,022	—	59,022	—
CED/Hoho/Bram.....Lead/Zinc	131,220	80	16,902	—	137,308	120,406
Plata.....Silver/Lead	163,627	80	163,627	—	163,627	—
Summit Lake (Selwyn).....Lead/Zinc	18,250	60	10,950	—	10,950	—
Tantalus.....Coal	—	—	—	13,788	—	13,788
Bot.....Asbestos	—	60	—	—	9,869	9,869
Max.....Copper/Moly	—	48	—	—	130,757	130,757
Barriere, B.C.....Copper	588	—	588	35,656	—	35,068
AREAS OF GEOLOGICAL INTEREST (Note b)						
Tintina/Anvil.....Lead/Zinc	1,575	80	1,575	—	27,660	26,085
Plata.....Silver/Lead	18,110	80	18,110	—	18,110	—
Tintina.....Various	—	60	—	—	175,417	175,417
Victor.....Copper/Moly	16,559	80	16,559	—	199,341	182,782
Minto.....Copper	10,461	100	10,461	—	10,461	—
Yukon General.....Various	3,012	100	3,012	—	20,644	17,632
B.C. & U.S.A.....Various	41,358	100	41,358	60,396	24,520	43,558
	465,493		343,875	109,840	1,063,907	829,872
Less: Northern Mineral Exploration Assistance Grants			40,000	—	90,091	50,091
			303,875	109,840	973,816	779,781

NOTES:—

a) Includes expenditures by co-venturers

b) All properties and programs are in Yukon Territory unless otherwise stated.

Refer to map on opposite page for Yukon locations.

BALANCE SHEET as at December 31, 1972

ASSETS

	1972 \$	1971 \$
CURRENT ASSETS		
Cash and short-term deposits.....	147,757	220,042
Accounts receivable.....	<u>89,451</u>	<u>82,309</u>
	237,208	302,351
INVESTMENTS, at equity (note 2)	18,168,469	13,119,148
OTHER INVESTMENTS, at cost (note 1).....	51,414	44,714
MINERAL PROPERTIES AND AREAS OF GEOLOGICAL INTEREST, at cost (notes 1 and 3)	973,816	779,781
FIXED ASSETS, at cost less accumulated depreciation and amortization (1972 — \$106,235; 1971 — \$85,540).....	54,502	75,253
ORGANIZATION COSTS.....	<u>6,629</u>	<u>6,629</u>
	<u>19,492,038</u>	<u>14,327,876</u>

SIGNED ON BEHALF OF THE BOARD



Director



Director

LIABILITIES

	1972 \$	1971 \$
CURRENT LIABILITIES		
Bank loan (secured).....	—	70,000
Accounts payable and accrued liabilities	<u>43,243</u>	<u>24,083</u>
	43,243	94,083
LONG-TERM DEBT (note 4).....	<u>7,776,689</u>	<u>7,366,418</u>
	<u>7,819,932</u>	<u>7,460,501</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)		
Authorized — 10,000,000 shares of the par value of \$2 each		
Issued and fully paid — 3,042,120 shares (1971 — 2,991,020 shares).....	2,302,790	2,200,590
CONTRIBUTED SURPLUS.....	4,222,450	3,927,806
RETAINED EARNINGS.....	<u>5,146,866</u>	<u>738,979</u>
	<u>11,672,106</u>	<u>6,867,375</u>
	<u>19,492,038</u>	<u>14,327,876</u>

**AUDITORS' REPORT
TO THE SHAREHOLDERS**

We have examined the balance sheet of Dynasty Explorations Limited as at December 31, 1972 and the statements of earnings, retained earnings, contributed surplus, and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1972 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.
Chartered Accountants

Vancouver, B.C.
February 26, 1973

STATEMENT OF RETAINED EARNINGS
For the Year Ended December 31, 1972

	1972 \$	1971 \$
BALANCE — BEGINNING OF YEAR		
As previously reported.....	738,979	(142,362)
Adjustment for accumulated losses of prior years of affiliated companies.....	<u>—</u>	<u>(894,940)</u>
As restated	738,979	(1,037,302)
NET EARNINGS FOR THE YEAR	<u>4,407,887</u>	<u>1,776,281</u>
BALANCE — END OF YEAR	<u>5,146,866</u>	<u>738,979</u>

STATEMENT OF CONTRIBUTED SURPLUS
For the Year Ended December 31, 1972

	1972 \$	1971 \$
BALANCE — BEGINNING OF YEAR.....	3,927,806	3,919,855
Premium arising from sale or issue of shares (1972 — 51,100 shares; 1971 — 2,320 shares).....	<u>294,644</u>	<u>7,951</u>
BALANCE — END OF YEAR.....	<u>4,222,450</u>	<u>3,927,806</u>

STATEMENT OF EARNINGS
For the Year Ended December 31, 1972

	1972 \$	1971 \$
INCOME		
Equity in net earnings (loss) of affiliated companies		
Anvil Mining Corporation Limited	4,816,000	2,300,000
Atlas Explorations Limited	(8,745)	(96,197)
	<u>4,807,255</u>	<u>2,203,803</u>
Interest	251,326	274,448
	<u>5,058,581</u>	<u>2,478,251</u>
EXPENSES		
Administration	97,849	85,307
Audit	7,180	3,015
Depreciation and amortization	21,486	22,853
Debenture and bank interest	411,615	410,775
Legal	12,225	12,541
Miscellaneous	27,029	40,660
Rent	26,490	26,537
Shareholders' reports	13,337	9,678
Travel	1,767	6,764
Trust company fees	10,559	9,987
	<u>629,537</u>	<u>628,117</u>
Less: Expenses capitalized (note 3)	67,257	103,705
	<u>562,280</u>	<u>524,412</u>
NET EARNINGS BEFORE OTHER EXPENSES	<u>4,496,301</u>	<u>1,953,839</u>
OTHER EXPENSES		
Write-off of costs of mineral properties and areas of geological interest	109,840	164,676
Loss on sale of marketable securities	424	7,726
Write-down of marketable securities from cost to quoted value	—	5,156
Recovery of Anvil mine opening costs	(21,850)	—
	<u>88,414</u>	<u>177,558</u>
NET EARNINGS FOR THE YEAR (notes 2(b) and 8)	<u>4,407,887</u>	<u>1,776,281</u>

1.47 59

STATEMENT OF SOURCE AND USE OF WORKING CAPITAL
For the Year Ended December 31, 1972

	1972 \$	1971 \$
SOURCE		
Capital stock issued.....	<u>396,844</u>	<u>7,820</u>
USE		
Current operations.....	106,727	83,495
Exploration (<i>note 3</i>).....	303,875	201,196
Investments.....	—	97,300
Fixed assets — net.....	<u>545</u>	<u>3,210</u>
	<u>411,147</u>	<u>385,201</u>
DECREASE IN WORKING CAPITAL.....	14,303	377,381
WORKING CAPITAL — BEGINNING OF YEAR.....	<u>208,268</u>	<u>585,649</u>
WORKING CAPITAL — END OF YEAR.....	<u>193,965</u>	<u>208,268</u>
REPRESENTED BY:		
Current assets.....	237,208	302,351
Current liabilities.....	<u>43,243</u>	<u>94,083</u>
WORKING CAPITAL — END OF YEAR.....	<u>193,965</u>	<u>208,268</u>

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 1972

1. VALUES

The amounts shown for other investments and mineral properties and areas of geological interest represent costs incurred to date and are not intended to reflect present or future values.

2. INVESTMENTS

	Cost \$	Bonds, advances and accrued interest \$	Equity increase (decrease) \$	Carrying amount \$
(a) Anvil Mining Corporation Limited (a private company)				
600,000 shares.....	375,958	6,402,600	6,786,800	13,565,358
Accrued interest (\$1,961,148 U.S.) on 7½% income bonds series D, (see note c(i) below).....	—	1,524,397	512,000	2,036,397
	<u>375,958</u>	<u>7,926,997</u>	<u>7,298,800</u>	<u>15,601,755</u>
Atlas Explorations Limited (a public company)				
1,200,166 shares (quoted market value \$540,075).....	3,573,395	—	(1,006,681)	2,566,714
	<u>3,949,353</u>	<u>7,926,997</u>	<u>6,292,119</u>	<u>18,168,469</u>

(b) The Company follows the equity method of accounting for its investments in Anvil Mining Corporation Limited and Atlas Explorations Limited. Under the terms of the Income Tax Act, the earnings of Anvil Mining are presently exempt from income taxes.

(c) (i) Anvil Mining Corporation Limited

Anvil is owned 40% by the Company and 60% by Cyprus Mines Corporation of Los Angeles, California. Under the terms of a financing agreement the Company loaned to Anvil \$6,062,000 (\$5,600,000 U.S.) to maintain its 40% interest.

	\$
The bonds are:	
General Mortgage bonds, series C, without interest.....	250,000
7½% income bonds, series D, (\$5,600,000 U.S.).....	<u>6,062,000</u>
	<u>6,312,000</u>

These bonds constitute a part of a second fixed and floating charge on the assets and undertakings of Anvil. All principal and interest accruing is to be repaid out of net income of Anvil as defined in the Second Trust Deed of Anvil in U.S. funds.

(ii) Atlas Explorations Limited

The Company holds 23% of the issued shares of Atlas, and has the right on the occasion of each new issue of Atlas treasury shares, to acquire sufficient shares to maintain its percentage interest. Subsequent to the year-end the Company's holdings in the issued shares of Atlas were reduced to 18% as a result of the sale, at 42¢ per share, of 250,000 shares held by the Company.

3. MINERAL PROPERTIES AND AREAS OF GEOLOGICAL INTEREST

Exploration and administration costs relating to mineral properties and areas of geological interest are capitalized on the basis of specific claim blocks and/or areas of geological interest. If the property or area of interest is abandoned, related costs are written off.

The Company entered into an agreement with Atlas Explorations Limited whereby the companies could participate in all new projects initiated by either company with share interest and cost of each project to be sixty per cent (60%) for Dynasty and forty per cent (40%) for Atlas. In addition Dynasty and Atlas gave each other the right of first refusal to participate in their existing projects.

4. LONG-TERM DEBT

Under a Trust Deed of March 1, 1968, the Company has issued the principal amount of \$6,500,000 of 7% Convertible Collateral Income Debentures, to mature April 1, 1982. Each \$1,000 principal amount of debentures is convertible at the holder's option into 80

fully paid and non-assessable shares of the Company at any time until April 1, 1975 or until such later date at which at least one full year's interest on the debentures has been paid. The Company may at any time redeem these debentures together with interest accrued, payable (as defined in the Trust Deed) and unpaid, upon notice to the holders who then have a thirty-day period within which to convert at their option.

At December 31, 1972 the outstanding principal and interest were as follows:

	Principal \$	Accrued interest \$	Total \$
Balance — beginning of year.....	5,861,000	1,505,418	7,366,418
Add: Interest for 1972.....	—	410,271	410,271
Balance — end of year.....	<u>5,861,000</u>	<u>1,915,689</u>	<u>7,776,689</u>

Interest accrues on these debentures from date of issue, but payment of interest is subject to the availability of net cash income of the Company as defined in the Trust Deed.

All funds to be received from Anvil must be paid to the trustee for the retirement of the debentures and for payment of interest (except for an amount of up to \$50,000 per year for corporate and administration costs of the Company).

5 CAPITAL STOCK

At December 31, 1972 capital stock outstanding was as follows:

	Number of shares	Par value \$
Balance — beginning of year.....	2,991,020	2,200,590
Issued during the year.....	<u>51,100</u>	<u>102,200</u>
Balance — end of year.....	<u>3,042,120</u>	<u>2,302,790</u>

Subject to the terms of the debenture issue (note 4) the Company has reserved 468,880 shares for future conversions.

The Company has agreed to offer to Cyprus Mines Corporation, on the occasion of each new issue of the Company's equity securities, 20% of the total of such new issues on the same terms as such issues are offered to others.

The Company has reserved 100,000 shares for an employees' stock option plan. Under this plan, options on 10,000 shares have been granted at the price of \$3.91 per share expiring at various dates to 1981. As at December 31, 1972, 3,100 shares under option had been purchased and stock options on 6,900 shares are outstanding.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year no directors' fees were paid. Remuneration which was paid to senior officers including directors and consulting companies controlled by them amounted to \$106,500.

7. CONTINGENT LIABILITY

At December 31, 1972 \$60,091 has been received and \$30,000 has been set up as receivable as grants under Northern Mineral Exploration Assistance Regulations. The grants are repayable with interest, over ten years, if the property for which the grants were received should come into production.

8. EARNINGS PER SHARE

	1972 \$	1971 \$
Earnings per share.....	1.47	.59
Fully diluted earnings per share.....	1.39	.63

The earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective fiscal years.

The fully diluted earnings per share figures are calculated on the assumption that all of the 7% Convertible Collateral Income Debentures outstanding at December 31, 1972 had been converted into common shares as of January 1, 1972.

For purposes of calculating the fully diluted earnings per share figures, the earnings applicable to the common shares were increased by the interest on the 7% Convertible Collateral Income Debentures (\$410,271) and the number of common shares was adjusted to reflect the additional shares that would have resulted on conversion (468,880).

**DYNASTY
EXPLORATIONS LIMITED**

**STATEMENT OF SOURCE
AND USE OF WORKING CAPITAL**
FOR THE SIX MONTHS ENDED JUNE 30, 1972
(Subject to Audit)

	1972 \$	1971 \$
USE		
Current Operations	103,898	95,777
Mineral properties and related costs	23,305	—
Participation in exploration joint ventures	22,187	63,102
Investments	—	30,000
Fixed assets — net	<u>27</u>	<u>1,209</u>
DECREASE IN WORKING CAPITAL	149,417	190,088
WORKING CAPITAL — BEGINNING OF PERIOD	<u>208,268</u>	<u>585,649</u>
WORKING CAPITAL — END OF PERIOD	<u><u>58,851</u></u>	<u><u>395,561</u></u>
REPRESENTED BY:		
Current Assets	124,992	429,140
Current Liabilities	<u>66,141</u>	<u>33,579</u>
WORKING CAPITAL	<u><u>58,851</u></u>	<u><u>395,561</u></u>

Jul **DYNASTY
EXPLORATIONS LIMITED**

STATEMENT OF EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 1972
(Subject to Audit)

	1972 \$	1971 \$
INTEREST INCOME		
7½% Income Bonds	206,941	210,835
Other	<u>1,938</u>	<u>13,498</u>
	<u>208,879</u>	<u>224,333</u>
EXPENSES		
Interest Expense		
7% Debentures	204,015	203,486
Other	<u>116,553</u>	<u>121,136</u>
	<u>320,568</u>	<u>324,622</u>
OPERATING LOSS	<u>111,689</u>	<u>100,289</u>
OTHER INCOME		
* Income from		
Affiliated companies:		
** Atlas Explorations Limited		
(24% equity)	133,545	89,965
Anvil Mining		
Corporation Ltd.		
(40% equity)	2,418,800	943,600
	<u>2,552,345</u>	<u>1,033,565</u>
EARNINGS FOR THE PERIOD	<u>2,440,656</u>	<u>933,276</u>
EARNINGS PER SHARE	82¢	31¢

* In 1971, the Company adopted the equity method of accounting for its investments in 20% to 50% owned companies and applied such method retroactively. The Company's share of the net earnings of these companies is now reflected in income and retained earnings.

** Income from Atlas Explorations Limited reflects the increased market value of marketable securities owned by Atlas after deduction of an operating loss.

AR44

**DYNASTY
EXPLORATIONS
LIMITED**

330—355 BURRARD STREET
VANCOUVER, B.C.
CANADA

INTERIM REPORT

JUNE 30th, 1972

STATEMENT OF EARNINGS AND
STATEMENT OF SOURCE AND USE OF WORKING
CAPITAL FOR THE SIX MONTHS ENDING
JUNE 30th, 1972

**DYNASTY
EXPLORATIONS LIMITED**

To our Shareholders:

During the first six months of 1972, your Company's earnings amounted to \$2,440,656 equal to 82¢ per share, a significant improvement over the 31¢ per share earnings for the first half of 1971. Net value of production from the Anvil mine for the second quarter of 1972 also increased by 45% over the first quarter results.

Exploration programs to a combined value of \$450,000 are being undertaken during 1972 but unfavourable weather conditions during May and June deferred commencement of planned drilling programs which has resulted in lower than anticipated exploration expenditures during the first half of the year.

Anvil Mining Corporation

The Board of Directors of Anvil Mining Corporation Limited met at Faro, Y.T. on July 26, 1972, and held the second Quarterly Meeting of 1972. It was reported by R.E. Thurmond, Senior Vice-President of Anvil, that the net value of production for the first half of 1972 was \$4,342,000 as compared to \$2,772,000 for the same period of 1971. The principal amount of debt including accrued unpaid interest as at June 30, 1972 stood at \$72,730,000. This includes \$28,000,000 U.S. of remaining bank loans. Arrangements have been completed for the sale during the last half of 1972 of approximately 15,000 tons of lead concentrates which will be in addition to that provided for by the long-term marketing agreements.

R.L. Haffner, Anvil's General Manager, reported on the operations stating that mill throughput averaged 8,363 TPD during the Second Quarter of 1972 as compared to 7,670 TPD during the First Quarter of 1972. Concentrate production totalled 108,915 DST. The trend of improved concentrate grades was continued although recoveries have been compromised to some extent by the increased throughput. Efforts for the balance of the year will be directed to achieving higher recoveries. Extensive research and testing programs will be continued.

The Board accepted with regret Mr. Kenneth Lieber's resignation as President, and elected Mr. Paul W. Allen to succeed him. Mr. Allen was formerly Executive Vice-

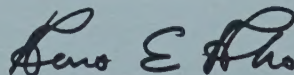
President and is Executive Vice-President of Cyprus Mines Corporation. Mr. Lieber will continue to serve as a Director. Mr. Lieber was recently elected President of Cyprus Mines Corporation after serving that company as Executive Vice-President.

Exploration

Two separate program areas within the Tintina/Anvil project are being actively explored at this time. On the Capa/Delta/Echo claims, gravity surveys have recently been completed and drill testing of targets commenced this week. Several separate anomaly areas will be investigated by drilling this season. This work is being carried out under a joint venture currently being finalized with a group of major companies. On the Foto claims geophysical surveys are in progress over a large area of favourable geologic section and it is anticipated drill targets will be defined by early fall. Considerable interest from prospective joint venture partners has been shown in this claim group.

In both the Minto-Carmacks and Nisling Range copper districts geological and geochemical surveys are in progress with more detailed follow up work scheduled for later this season.

Several properties have been examined in British Columbia and preliminary data is being assembled on one regional program. A porphyry copper prospect near Princeton has been optioned and preliminary geochemical surveys and geological mapping are in progress. A drill program is tentatively planned for this fall if results of current work continue to be encouraging.



Aaro E. Aho
President

August 1st, 1972

**ANVIL MINING
CORPORATION LIMITED**

**SUMMARY OF OPERATIONS
FOR SIX MONTHS TO JUNE 30th, 1972**

	1972	1971
Ore		
Tons Milled (D.S.T. 000's)	1,459	1,270
% Lead	4.4	4.6
% Zinc	6.0	6.7
Concentrates Produced		
Lead Concentrate (D.S.T.)	65,815	68,467
% Lead	70.2	66.5
Zinc Concentrate (D.S.T.)	100,431	103,455
% Zinc	51.2	49.3
Bulk Concentrate (D.S.T.)	45,858	29,230
% Combined Lead/Zinc	47.4	44.8
Average Metal Price		
Lead — ¢ per pound	13.6	12.3
Zinc — ¢ per pound	17.5	15.4
	\$(000)	\$(000)
Net Market Value of Production	23,305	20,505
Production and operating Costs	14,322	13,260
Depreciation & amortization	2,024	1,854
Interest on external borrowings	1,507	1,750
Gain on foreign exchange	(378)	(261)
Yukon Mining Royalty	501	226
	17,976	16,829
Value of production before shareholder interest	5,329	3,676
Interest accrued on debt owed to shareholders	987	904
Net Value of Production \$ (000)	4,342	2,772

AR44

**DYNASTY
EXPLORATIONS LIMITED**

**STATEMENT OF SOURCE
AND USE OF WORKING CAPITAL**

FOR THE SIX MONTHS ENDED JUNE 30, 1973

(Subject to Audit)

	1973 \$	1972 \$
SOURCE		
Capital Stock	3,519	—
Sale of Investment	105,000	—
	<u>108,519</u>	<u>—</u>
USE		
Current Operations	82,481	103,898
Exploration	192,856	45,492
Fixed assets — net	9,788	27
	<u>285,125</u>	<u>149,417</u>
DECREASE IN WORKING CAPITAL	176,606	149,417
WORKING CAPITAL — BEGINNING OF PERIOD	<u>193,965</u>	<u>208,268</u>
WORKING CAPITAL — END OF PERIOD	<u><u>17,359</u></u>	<u><u>58,851</u></u>
REPRESENTED BY:		
Current Assets	160,790	124,992
Current Liabilities	143,431	66,141
WORKING CAPITAL	<u><u>17,359</u></u>	<u><u>58,851</u></u>

**DYNASTY
EXPLORATIONS LIMITED**

**STATEMENT OF EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 1973**
(Subject to Audit)

	1973 \$	1972 \$
INCOME		
*Equity in net earnings (loss) of affiliated companies		
Anvil Mining Corporation Ltd. (40% equity)	4,772,000	2,501,800
**Atlas Explorations Limited (18% equity)	(305)	65,577
	<u>4,771,695</u>	<u>2,567,377</u>
Interest	127,867	125,879
	<u>4,899,562</u>	<u>2,693,256</u>
EXPENSES		
Administration	137,524	112,059
Depreciation and amortization	11,171	10,717
Debenture and bank interest	203,449	204,015
	<u>352,144</u>	<u>326,791</u>
Less: Expenses capitalized or recovered	53,168	6,223
	<u>298,976</u>	<u>320,568</u>
NET EARNINGS BEFORE OTHER EXPENSES	4,600,586	2,372,688
OTHER EXPENSES		
Write-off of costs of mineral properties and areas of geological interest	31,503	45,296
	<u>31,503</u>	<u>45,296</u>
NET EARNINGS BEFORE EXTRAORDINARY ITEMS	4,569,083	2,327,392
EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEMS	\$1.50	79¢
EXTRAORDINARY ITEMS		
Loss on sale of Investment	429,650	—
	<u>429,650</u>	<u>—</u>
NET EARNINGS FOR THE PERIOD	<u>4,139,433</u>	<u>2,327,392</u>
EARNINGS PER SHARE	\$1.36	79¢

* The Company follows the equity method of accounting for its investments in Anvil Mining Corporation Limited and Atlas Explorations Limited.

** Income from Atlas Explorations Limited reflects the increased market value of marketable securities owned by Atlas after deduction of an operating loss.

**DYNASTY
EXPLORATIONS
LIMITED**

330-355 BURRARD STREET
VANCOUVER, B.C.
CANADA

INTERIM REPORT

JUNE 30th, 1973

STATEMENT OF EARNINGS AND
STATEMENT OF SOURCE AND USE OF WORKING
CAPITAL FOR THE SIX MONTHS ENDED
JUNE 30th, 1973

DYNASTY EXPLORATIONS LIMITED

To our Shareholders:

Your Company's equity in the net earnings of Anvil Mining Corporation Ltd. amounted to \$1.56 per share for the first half of 1973, compared to 82¢ per share for the first half of 1972. Earnings of \$1.04 per share in the second quarter of 1973 represented a 100% increase over the 52¢ per share reported in the first quarter. This impressive increase was due to higher metal prices, improved operations and an increase in concentrate shipments during the second quarter.

After deduction of 6¢ per share in respect to operating expenses, net earnings of your Company before extraordinary items, equalled \$1.50 per share. No additional extraordinary expenditures were incurred in the second quarter but the extraordinary loss recorded in the first quarter reduced net earnings for the first half of 1973 to \$1.36 per share, compared to 79¢ per share for the same period of 1972.

Anvil Mining Corporation

The Board of Directors of Anvil Mining Corporation Limited met at Faro, Yukon Territory, on July 25, 1973. It was reported to the Board that the net value of production for the first half of 1973 was \$10,089,000 as compared to \$4,342,000 for the same period of 1972. Increased metal prices are the main factor for this improvement. The principal amount of debt and unpaid interest after a bank payment of \$4,000,000 as at June 30, 1973, stood at \$57,689,000. This includes U.S. \$12,000,000 remaining on the bank loans. Bank loan repayment of at least \$2,250,000 will be made during the Third Quarter of 1973.

It was also reported that during the Second Quarter of 1973, mill throughput averaged 8,231 tons per day and concentrates produced totalled 118,076 DST. Metal recoveries continue to show improvement. The plant expansion to 10,000 TPD is on schedule and will be complete during the First Quarter of 1974 as planned.

The Board approved a scholarship program which offers four annual scholarships of up to \$2,000 each to sons and daughters of Faro residents.

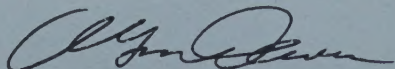
Exploration

During the second quarter all of your Company's Yukon exploration projects were active. The **Selwyn** exploration venture which is being carried out in conjunction with Atlas Explorations, Shield Resources and Numac Oil & Gas largely completed regional geochemical surveys in the lead-zinc district of the east-central Yukon and adjacent Northwest Territories. Several anomalous areas are being followed up with detailed surveys and to date two new claim groups, totalling 106 claims, have been staked. Preliminary surveys have been completed on five claim groups, two of which were recently acquired from Welcome North Mines Ltd. in the vicinity of properties held by Canex-Placer which contain a significant stratiform lead-zinc prospect. Detailed surveys are presently being carried out on our properties in areas of favourable stratigraphy and geochemical anomalies.

On the **Plata** silver prospect in the Hess Mountains, bulldozer trenching has revealed several new vein zones as well as opening up showings of float and bedrock mineralization outlined last year. Results to date are encouraging and systematic sampling is in progress.

Your Company has recently entered into an exploration agreement with Welcome North Mines to acquire a 50% interest in the **Keg** zinc prospect in the Godlin Lake area of the Northwest Territories by carrying out a 1000 ft. diamond drill program this season. Drilling will commence during the second week of August to test a zone of high grade zinc float occurrence. Prospecting and regional geochemical surveys are also under way in this recently defined lead-zinc district.

On the **Foto** claims in the Swim Lake section of the Anvil District, five diamond drill holes have been completed without encountering significant base metal mineralization. Geophysical surveys are in progress on a number of other properties in the Anvil District.



August 6th, 1973

R.E. Gordon Davis
President.

ANVIL MINING CORPORATION LIMITED

SUMMARY OF OPERATIONS FOR SIX MONTHS TO JUNE 30th, 1973

	1973	1972
Ore		
Tons Milled (D.S.T. 000's)	1,481	1,459
% Lead	4.7	4.4
% Zinc	6.2	6.0
Concentrates Produced		
Lead Concentrates (D.S.T.)	77,046	65,815
% Lead	66.2	70.2
Zinc Concentrates (D.S.T.)	112,463	100,431
% Zinc	51.6	51.2
Bulk Concentrate (D.S.T.)	40,475	45,858
% Combined Lead/Zinc	49.2	47.4
Average Metal Price		
Lead — ¢ per pound	17.0	13.6
Zinc — ¢ per pound	21.0	17.5
	\$(000)	\$(000)
Net Market Value of Production	<u>30,698</u>	<u>23,305</u>
Production and operating costs	15,917	14,322
Depreciation & amortization	2,262	2,024
Interest on external borrowings	1,082	1,507
Gain on foreign exchange	(597)	(378)
Yukon Mining Royalty	941	501
	<u>19,605</u>	<u>17,976</u>
Value of production before shareholder interest	11,093	5,329
Interest accrued on debt owed to shareholders	<u>1,004</u>	<u>987</u>
Net Value of Production \$(000)	<u>10,089</u>	<u>4,342</u>